

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

In the matter of:)
)
Business Meeting)
)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

WEDNESDAY, NOVEMBER 3, 2004
10:00 A.M.

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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

COMMISSIONERS PRESENT

William J. Keese, Chairman

John L. Geesman

James D. Boyd

Arthur H. Rosenfeld

Jackalyne Pfannenstiel

STAFF PRESENT

William Chamberlain, Chief Counsel

Robert Therkelsen, Chief Deputy Director

Betty McCann, Secretariat

Sandra Fromm

Kevin Kennedy

Jim Folkman

ALSO PRESENT

Gary Schoonyan
Southern California Edison Company

Paul Wuebben
South Coast Air Quality Management District

Les Guliassi
Pacific Gas & Electric

Manuel Alvarez
Southern California Edison

Stan Van Vleck
Association of Home Appliance Manufacturers

Matt Allison
Scotsman Ice Systems

Joseph McCabe
Energy Ideas

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1 P R O O C E E D I N G S

2 CHAIRMAN KEESE: Good morning. We'll
3 call the Committee of the Energy Commission to
4 order.

5 Commissioner Boyd, would you lead us in
6 the Pledge, please?

7 (Thereupon, the Pledge of Allegiance was
8 recited in unison.)

9 CHAIRMAN KEESE: I'm glad to see
10 everybody here. Obviously not everybody stayed up
11 to find out the results of the election and chose
12 to get a little sleep last night.

13 Consent calendar, do I have a motion?

14 COMMISSIONER ROSENFELD: I move the
15 consent calendar.

16 CHAIRMAN KEESE: Motion Rosenfeld.

17 COMMISSIONER BOYD: Second.

18 CHAIRMAN KEESE: Second, Boyd.

19 All in favor?

20 (Ayes.)

21 CHAIRMAN KEESE: Opposed?

22 Adopted five to nothing.

23 Item 2. The 2004 Energy Report Update.
24 Possible approval of the 2004 Energy Report Update
25 which provides the Governor and Legislature with

1 an update from the 2003 Energy Report, continuing
2 a focus on upgrading California's energy
3 infrastructure with additional analysis and
4 recommendations on reliability, transmission
5 planning, and renewable energy development.

6 COMMISSIONER GEESMAN: Mr. Chair, first
7 I want to thank you for this particular Committee
8 assignment. We have conducted 19 days of public
9 workshops and hearings in bringing this update of
10 the 2003 report back to the Commission. We have
11 followed the process you and Commissioner Boyd set
12 in the 2003 report. We have a remarkable
13 population and a remarkable group of stakeholders
14 around these issues. We've docketed more than 230
15 individual submittals in the docket for this
16 proceeding.

17 I think over the course of the last year
18 we have developed a lot of good information and
19 heard some very sincerely held viewpoints, many of
20 which did not conflict with each other. One of
21 the strengths I think of our process is its
22 deliberative nature, and the plural aspect of our
23 Commission really requires that.

24 We've tried to do a job that would be
25 consistent with the spirit of the Warren-Alquist

1 Act in terms of soliciting public input to these
2 questions. And I believe that we come to you now
3 with policy recommendations that are all the more
4 strong because of that public input. Probably not
5 as efficient or expeditious as simply a simple
6 policy pronouncement coming from one individual's
7 word processor, but I believe the path that we
8 have followed and the result we bring back to you
9 would do Assemblyman Warren and Senator Alquist
10 proud.

11 I'll let the report itself speak for
12 itself, but Sandra Fromm I think is prepared to
13 provide a brief summary of the recommendations.

14 MS. FROMM: Good morning.

15 CHAIRMAN KEESE: Thank you. And for a
16 couple of the Commissioners we've got a little
17 power shortage here at the desk so the on the desk
18 screen is not working.

19 Sandra.

20 MS. FROMM: Good morning. I'm Sandra
21 Fromm, the Assistant Program Manager for the 2004
22 Integrated Energy Policy Report.

23 Kevin Kennedy is the Program Manager and
24 he's sitting right over there in the front row.

25 Before I go into the recommendations, I

1 would like to thank a few people who worked very
2 hard on this project.

3 First, our editor Elizabeth Parkhurst.

4 I'd like to thank team leads Kristy
5 Chew, Judy Brown, Pamela Downing, Melinda Merit,
6 Matthew Trask, Al Alvarado, David Eshukian.

7 And if I've left anyone off, I
8 apologize. There are many people that contributed
9 to this process.

10 I'd like to thank all the various
11 divisions in the Commission for their
12 contribution.

13 I'd also like to thank Kevin Kennedy for
14 his calm guidance throughout.

15 I would like to thank the public who
16 participated by either doing presentations,
17 providing written comments, or attending. Their
18 contribution to this process is considered
19 invaluable.

20 I believe Commissioner Geesman did a
21 very good job of covering Senate Bill 1389 which
22 guides the Energy Report process.

23 As he indicated earlier as well, that we
24 received over 230 public documents. I should say
25 comments were docketed. We collaborated with

1 numerous State agencies and met with stakeholders.

2 Because aging powerplants is an
3 important issue, I'd like to provide some context
4 on the aging powerplant recommendations. In
5 particular, I would like to review four graphs
6 related to operating reserve margins.

7 Sufficient reserve margins are necessary
8 to maintain a reliable electricity system. The
9 California ISO has determined that the state needs
10 a seven percent reserve margin to maintain grid
11 reliability. Although the Energy Commission study
12 indicates that 9,000 megawatts is potentially at
13 risk for retiring, predicting the exact number of
14 retirements remains uncertain. Despite this
15 unpredictability, PG&E which serves most of
16 Northern California is expected to have adequate
17 reserve margins under normal and hot weather
18 conditions from 2005 through 2008 under our base-
19 case scenario.

20 PG&E should also have adequate reserve
21 margins with normal weather under a high-risk
22 scenario, although the reserve margins will become
23 tight in approximately 2008. However, if hot
24 weather occurs, reserve margins would only be
25 slightly above seven percent. As a result,

1 there's a potential for rotating outages as early
2 as 2008.

3 In contrast, potential retirements in
4 Southern California can aggravate an already
5 serious outlook for reserve margins. The base-
6 case scenario for Edison in the San Diego area
7 indicates that beginning in 2005 during normal
8 weather Stage 1 emergencies could occur and in hot
9 weather rotating outages.

10 If the high-risk retirement scenario in
11 Southern California is taken into account, this
12 problem is only exacerbated.

13 These scenarios are a strong indication
14 that solutions are needed for near-term supply
15 issues. To address these near-term supply and
16 reliability concerns, it is recommended that all
17 IOUs and municipal utilities work aggressively to
18 attain the statewide goal for peak demand
19 reduction.

20 In the policy report, there are a number
21 of specific suggestions to achieve this goal, such
22 as modification of the tariff design, immediate
23 rollout of advanced metering systems, development
24 of dynamic rate offerings, and load control
25 options.

1 Additionally, the Committee recommends
2 that the Energy Commission work with the PUC to
3 develop a capacity market which will allow aging
4 powerplants to compete in the electricity market.
5 This market should include tagging and tradeable
6 rights and should link transmission expansions
7 with local reliability, allow longer term purchase
8 contracts, and use cold standby plants for
9 reserves.

10 The Commission should work with the PUC
11 and all the utilities to enhance supply management
12 by planning and reserve sharing, removing
13 transmission barriers, pursuing cost effective
14 seasonal exchanges, and using existing pump
15 storage facilities more fully.

16 Although the policy report recommends
17 these short term solutions, long term goals are
18 necessary to ensure a reliable electricity system.
19 In particular, transmission upgrades and
20 expansions are critical to ensuring a reliable
21 electricity delivery system. However,
22 transmission expansions typically have long lead
23 times that must be considered in the planning
24 stage.

25 Pursuant to recently enacted Senate Bill

1 1565, the Energy Commission will begin
2 establishing a comprehensive statewide planning
3 process. This planning process should assess
4 statewide transmission needs, examine nonwire
5 alternatives, and improve transmission
6 infrastructure investments that can move quickly
7 into permitting.

8 The planning process should also examine
9 right-of-way needs, evaluate corridors, and allow
10 longer term corridor banking. Additionally, it
11 should assess transmission costs and benefits
12 using an appropriate social discount rate that
13 recognizes the long and useful life of
14 transmission assets.

15 To facilitate the timely development in
16 transmission to bring renewables online, the
17 Energy Commission should increase its
18 participation in the joint transmission study
19 group for Tehachapi, work with the PUC to
20 establish a joint study group for geothermal
21 resources in Imperial County, and work with the
22 PUC and the ISO to investigate whether changes are
23 needed to the ISO tariff to meet transmission
24 needs for renewables.

25 The Committee recommends the State enact

1 legislation to require all retail suppliers of
2 electricity to meet the 20-percent RPS goal by
3 2010 and a 33-percent goal by 2020. Ambitious
4 goals such as these are needed to encourage
5 private investment to promote technology
6 innovation and maintain momentum.

7 Long-term investments in renewable
8 technologies can drive down costs. These lower
9 costs will lead to commercialization, helping the
10 state to take advantage of its abundant renewable
11 resources.

12 The Committee further recommends that
13 the State enact legislation that allows the PUC to
14 require Edison to purchase at least one percent
15 renewable energy per year until 2020.

16 The Committee also recommends repowering
17 wind turbines and that the PUC require IOUs to
18 facilitate repowerings in its effort to develop
19 renegotiated QF contracts.

20 Recent surveys shows that Californians
21 overwhelmingly support solar energy. Because the
22 Energy Commission shares the Governor's interest
23 in stimulating development of PV, we offer the
24 following recommendations for developing a
25 successful solar program. The solar program

1 should include new and existing homes and
2 businesses and it should leverage energy
3 efficiency approved improvements for new and
4 existing buildings. Additionally, peak demand
5 challenges should be addressed by linking PV
6 installation with price responsive tariffs and
7 advanced metering. This program should also
8 target PV deployment to climate zones with high
9 peak demand, provide long-term declining
10 incentives, and explore a business role in PV
11 deployment for utilities.

12 With that, I'd like to turn the meeting
13 back over to the Commission.

14 Thank you.

15 CHAIRMAN KEESE: Thank you.

16 COMMISSIONER GEESMAN: Mr. Chair, we
17 ought to see if there are any public comments at
18 this time.

19 CHAIRMAN KEESE: Well, I'm aware there
20 are some public comments.

21 Mr. Schoonyan.

22 MR. SCHOONYAN: Thank you, Chairman
23 Keese.

24 Gary Schoonyan, Southern California
25 Edison Company.

1 Before I start, I would like to thank
2 the Committee for preparing and developing from
3 our perspective for the most part a very good and
4 thoughtful update. They addressed some of the key
5 issues facing the state and did it in a very
6 constructive fashion. So with that regard we do
7 want to compliment the Committee.

8 We do have some concerns. I put
9 together a letter that was distributed to the
10 Commission earlier this week, I'm not sure whether
11 all of you have obtained it or not. I am here
12 today to talk about one of the areas, and it's
13 actually the major area of concern that we have
14 with the update to the 2004 report.

15 That involves from our perspective the
16 singling out of Edison to a higher and more
17 aggressive level of renewable procurement during
18 the timeframe. I think it was brought forth by
19 Sandra earlier with regards to the recommendation
20 that Edison seek and obtain a higher level of
21 renewables and do it quicker than the other load
22 serving entities in the state. From our
23 perspective, we believe that the resources and the
24 energies of the state would be better served in
25 addressing key integration issues and possibly

1 incentive mechanisms that need to be addressed to
2 integrate larger quantities of renewable
3 resources.

4 For example, I think we can all state
5 here that to the extent that 100 percent of all of
6 our resources were intermittent and
7 nondispatchable renewable resources, it would be
8 very difficult to operate as an electric grid. I
9 frankly don't know what the right cut point is as
10 to where the level should be, nor do I understand
11 what the additional costs are as you get to the
12 higher levels of integrating additional levels of
13 renewable resources.

14 Just as sort of an antidotal comment, I
15 recall from a presentation I saw about two, three
16 years ago with regard to Denmark. They procure
17 approximately one-third of their energy from wind.
18 Quite a commendable record. However, there's a
19 cost associated with that. If you take a look at
20 their loads and resources, they're carrying over a
21 70-percent reserve margin.

22 So there are costs associated with
23 integrating the intermittent and nondispatchable-
24 type resources that I understand the Commission is
25 in the process of addressing, but from our

1 perspective, those sorts of things need to be
2 addressed and resolved prior to coming up with a
3 mandate, particularly one that inequitably from
4 our perspective singles out Southern California
5 Edison.

6 The reason for us being singled out is
7 that we're a national leader, which we are. We
8 procure nearly one-fifth of the nation's renewable
9 resources, and proud of it.

10 The other is the result that most of the
11 potential for renewable energy is within or near
12 our service territory. That too is a fact. But
13 from our perspective, there is nothing precluding
14 other utilities from securing, developing the
15 infrastructure necessary to secure those
16 resources. They are on the fringe of our service
17 territory for the most part and there could have
18 been the infrastructure developed. To say just
19 because the potential would be in or near our
20 service territory, we have to be held to a higher
21 standard is from our perspective not equitable and
22 doesn't address the issue as regards to the other
23 utilities being able to access that potential as
24 well.

25 The final comment I would like to make,

1 I mentioned it briefly, was with regards to an
2 incentive mechanism. I'm not sure how to design
3 one at this point in time. But from our
4 perspective, the Commission ought to be looking at
5 approaches whereby utilities or load serving
6 entities that exceed the mandated requirement of
7 20 percent receive some sort of an incentive
8 associated with doing that, as opposed to coming
9 up with a particular mandate, particularly one, as
10 I mentioned, that singles out just one utility.

11 Thank you.

12 CHAIRMAN KEESE: Thank you.

13 COMMISSIONER GEESMAN: Mr. Chairman.

14 CHAIRMAN KEESE: Commissioner Geesman.

15 COMMISSIONER GEESMAN: I guess what I
16 had considered the most significant part of your
17 letter, Gary, was your embrace of the report's
18 recommendation that in meeting the challenges that
19 we faced in Southern California this summer, the
20 first order of business should be the adoption of
21 dynamic pricing tariffs for large customers. I
22 think that's a significant indication of support
23 from your company. I think it's one that has
24 taken a fair amount of courage.

25 I believe it's an important principle

1 and it will be a difficult principle, but I
2 believe it's vital that the State follow that with
3 some necessarily tough decisions in the next
4 several months. We have provided meters at the
5 expense of the general fund to all of the large
6 customers three years ago and failed to ever adopt
7 the tariff that would go along with those meters.

8 I don't think that anybody benefits from
9 the current hide-the-ball pricing system which
10 conceals the true cost of service during the peak
11 hours that our system faces each year. And I
12 think that the Edison Company has made a true
13 contribution to this effort by embracing this and
14 I want to thank you for that.

15 In the renewables area, I do think that
16 it's wrong to look at this as a question of equity
17 or burden to your company. As I think everyone
18 knows, your accomplishments in the 1980s set you
19 substantially ahead of the pack in terms of
20 reliance on renewables.

21 When the RPS program was developed, your
22 company played a very large role in drafting the
23 RPS statute, and as you're well aware, that
24 statute contains provisions to protect your
25 ratepayers from any overmarket costs associated

1 with renewable procurement. If the subsidy fund
2 is not available to support such overmarket costs,
3 the obligation to procure is eliminated. Thus
4 far, you've achieved a very high percentage, close
5 to 20 percent, without relying on one dime of that
6 subsidy fund.

7 As a consequence, I don't think that the
8 report's recommendation that you proceed at the
9 same rate other companies are expected to proceed
10 at, one percent per year, to attain higher targets
11 is in any way unreasonable or for that matter
12 burdensome. I've looked to the era in your
13 company when you were purchasing generation from
14 the largest commercial solar facilities in the
15 world, you had direct investments in the Imperial
16 Valley hot water geothermal field, you were the
17 largest purchaser of output from the Cerro Prieto
18 geothermal fields in Mexico, you sponsored some of
19 the initial commercial development of the wind
20 resource near Palm Springs. Your company had a
21 truly visionary senior management at the time, one
22 which was committed to innovation, one which
23 believed in the power of technology, and one which
24 frankly was quite willing to contribute to state
25 policy objectives.

1 I think your senior management today is
2 substantially more conservative than that, but I
3 would challenge them to look in the mirror and ask
4 themselves where is the vision. Your performance
5 in this area has been stellar when government has
6 forced you to perform. I'm disappointed that
7 despite your indication a little more than a year
8 ago that you would achieve a 20-percent level this
9 year, that you won't have done so and that the
10 reason for that is that your interim solicitations
11 have not yielded quite the results that you had
12 initially hoped. That interim solicitation has
13 taken nearly a year and a half and has yet to
14 yield any contracts for approval.

15 The message that comes through to me
16 from that is that when State government puts the
17 pressure on, you perform quite admirably. When
18 the pressure is off, you don't perform as well.
19 And I think that is probably in the nature of a
20 regulated business and as a consequence, I think
21 the regulatory system needs to continue to provide
22 that pressure.

23 The wellspring of all of this is the
24 public's demand that we do something about our
25 energy system. As you know, the support for

1 renewables among the public is very significant.
2 The Public Policy Institute in California
3 regularly polls for the question on support for
4 renewable energy. Last year, 2003, some 82
5 percent of respondents felt that California should
6 double its reliance on renewable sources of
7 electricity over the course of the next decade.
8 This year that number was up to 87 percent. I
9 think that the residents of your service territory
10 are no different than anywhere else in the state,
11 so I would assume a comparable level of support
12 among your customers, as compared to the statewide
13 numbers.

14 And when they say double the reliance on
15 renewable energy, I look at you guys starting 13,
16 14, 15 percent, and I get to the high 20s, if not
17 30 percent over the course of the next decade.
18 That's what I believe the public wants us to do,
19 that's what I believe your customers want you to
20 do. You would suggest to us because you've done
21 so well in the past you ought to have a free pass
22 going forward. I think that's akin to lowering
23 the basketball hoop to about eight feet for the
24 tallest players. And I think you develop a lot of
25 bad habits when you lower the basketball hoop.

1 So, Mr. Chairman, I think that we've
2 made a well considered recommendation. I don't
3 think that it's something that the Edison Company
4 cannot achieve. I think their ratepayers are
5 completely insulated from any above-market costs
6 from such a policy. And I think the
7 recommendation should stand as we have framed it.

8 Thank you.

9 CHAIRMAN KEESE: Thank you.

10 Mr. Paul Wuebben.

11 MR. WUEBBEN: Thank you, Mr. Chairman,
12 Members of the Commission.

13 I am Paul Wuebben, the Clean Fuels
14 Officer for the South Coast Air Quality Management
15 District.

16 We first want to say that the Integrated
17 Energy Policy Report is a very vital process and
18 we really commend the CEC staff and your
19 Commission for highlighting the issues and for a
20 thoughtful and comprehensive approach to these
21 issues. Overall, we think that the report is a
22 very important step in establishing a coherent
23 energy policy for this state.

24 I've got a few comments to make. First,
25 we do think the targets for increased conservation

1 and energy efficiency as you've just discussed are
2 of central importance and we commend the CEC for
3 putting those squarely at the top of your energy
4 agenda.

5 Now, there are a few areas that we would
6 suggest in all candor that there would probably be
7 some areas of additional strengthening of the
8 report. Particularly, the report reiterates the
9 idea of a one-stop permitting process for
10 petroleum infrastructure and it mentions the
11 failed legislative effort to obtain that goal.
12 And as you know, we have had serious concerns
13 about that particular policy.

14 The Air Quality Management District did
15 oppose SB-429 by Senator Torlakson and we believe
16 that there are significant air quality benefits
17 that accrue to the community directly from our
18 consistent application of emission reduction
19 requirements and permit conditions on petroleum
20 handling facilities, refineries, et cetera, as
21 well as other stationary sources. We do strongly
22 feel that a wholesale elimination of that
23 authority for the South Coast District or any
24 local air district for that matter in this area
25 would be very counterproductive and basically

1 inconsistent with State air quality mandates.

2 So while we certainly appreciate, we
3 remain and you should remain committed to working
4 closely together on this issue, that we think that
5 there are areas where we can expedite permitting.
6 We think we have made some real strides in that
7 area over the last three to five years and will
8 continue to look for any opportunity to make that
9 process more coherent and expedited.

10 Next, I would like to make a brief
11 comment about the LNG issue. The report notes
12 that such facilities should be encouraged and we
13 certainly agree with that. We do think the report
14 is somewhat silent on the benefits of facilities
15 in terms of diversifying our supply sources and
16 the benefits that such a facility would have in
17 diversifying and providing supply for a fleet of
18 natural gas vehicles, particular LNG vehicles.

19 Our agency has done quite a bit of work
20 supporting the application of LNG trucks, for
21 example, Orange County Transit District and many
22 others are now operating those. And we think that
23 those kinds of facilities will be extremely
24 important. And as you may know, the engines that
25 use that fuel are consistently at a lower

1 certification level than their diesel
2 counterparts.

3 So we think that diversity is security
4 and that the report fundamentally would be
5 strengthened if that linkage were made more
6 explicit.

7 I guess we could also say that it
8 certainly remains appropriate that your agency and
9 our own agency would remain neutral as far as any
10 particular site because of our permitting
11 authorities, but the general policy thrust we
12 think is important.

13 The next point I would like to just make
14 briefly regards the AB-2076 goals for reduction of
15 petroleum consumption. We think that those could
16 probably be made in a bit more higher profile.
17 Obviously those goals include not just the 50-
18 percent reduction in petroleum consumption below
19 2003 by 2020, but the maintaining of that level of
20 demand for the foreseeable future beyond 2020. It
21 also calls for a two-fold improvement in new car
22 and truck fuel economy, a 20-percent of the on-
23 road demand would be nonpetroleum by 2020, and by
24 2030, there would be 30 percent of that fuel
25 demand as nonpetroleum. We think all of those

1 were an extremely important part of the AB-2076
2 process.

3 Lastly, the report mentions of course
4 the importance of renewable portfolio standards,
5 and we fully support the major contributions that
6 are being made here in the report. We didn't see
7 a mention of the Governor's veto of the bill which
8 would have accelerated the timetable of 20 percent
9 from 2017 to 2010. So we think it would be
10 perhaps helpful if there could be some
11 identification of specific steps to implement both
12 that goal and a 33-percent RPS target.

13 So with that, I would just like to say
14 in closing that we certainly look forward to
15 working closely with your staff. We think they
16 have done an outstanding job in dealing with some
17 very complex issues, and we appreciate this
18 opportunity to comment on the report.

19 CHAIRMAN KEESE: Thank you.

20 Let me ask you a question. You know, it
21 has been unfortunate that a number of air
22 districts have felt that the Energy Commission is
23 impinging on a territorial imperative here. But
24 in my experience of powerplant siting, which we
25 have done quite a bit of over the last six years,

1 I'm not aware of a case in which we've gone
2 crosswise with an air district. It's been a very
3 successful symbiotic licensing process in that
4 area.

5 And in looking at the Port situation and
6 the refinery situation where we see, and I'll
7 speak personally here, where we see constrained
8 refineries that probably can't expand and we see a
9 port structure that is moving towards container
10 cargo and away from liquid, and we see that the
11 potential that we're going to have to increase our
12 imports perhaps significantly. If you make an
13 assumption that we're importing five percent and
14 we're going to have to add five percent, you have
15 now doubled the capacity. We look out there and
16 we don't see an ability to handle this situation
17 under the current makeup.

18 Now, perhaps, you know, I think we
19 should work as cooperatively with you as we can to
20 enhance the structure, but we're not seeing
21 results. And the longer we go and don't see any
22 results, the more pressure it becomes to have a
23 system that can get results. And I just throw
24 that out.

25 MR. WUEBBEN: Yes, and we fully respect

1 your concerns in that area. And I would say that
2 our issue is not really a territorial imperative,
3 but it's really more an issue of public health
4 imperative, because, of course, we have the
5 community impacts that are perhaps
6 disproportionate, and I know you recognize that as
7 well.

8 CHAIRMAN KEESE: And I would say yet
9 again that in the powerplant siting, I believe we
10 have --

11 MR. WUEBBEN: And it's been a stellar
12 record.

13 CHAIRMAN KEESE: We probably should get
14 an A+ for our activities in that area. So if we
15 could develop that kind of relationship. You
16 know, and it's not just your district, we have had
17 similar letters from most of the districts.

18 MR. WUEBBEN: And to just to add
19 briefly, that we do appreciate that there is a
20 growing and really a significant need for bulk
21 handling facilities. And we're not aware of any
22 specific project coming forward to actually
23 review, but when such a proposal does come through
24 in a specific case, we realize that we will have
25 to make some careful determinations.

1 But if there are a few alternatives
2 available, and as you move to the
3 containerization, you talked about those are
4 impinging on the Port of LA, perhaps
5 disproportionately and we're losing that capacity
6 at the wrong time.

7 And so, yes, we're aware that those
8 market conditions exist and that we have a
9 responsibility as you do to be pragmatic where
10 possible. It's just that the air quality,
11 particularly the community health effects because
12 of the exposure, both from the trucks and, as you
13 know, because of the alcohol policy has changed to
14 accommodate or to obviously require ethanol
15 blending, and ethanol can't be transported in the
16 pipelines, which means additional truck traffic
17 and handling requirements and blending
18 requirements after the refinery at the gate, all
19 of those conditions have made things even that
20 much tighter.

21 But because of the volatility of the
22 components, the toxicity of the BTX complex, et
23 cetera, the need to back out some of those high-
24 end products to meet natural volatility
25 requirements, I know Mr. Boyd is fully aware of

1 all of these details, that there can be very
2 significant air quality impacts at the local
3 level.

4 And we hear I think a growing chorus
5 about the concentration and the environmental
6 justice implications of having a high
7 concentration of product storage and throughput in
8 areas that are heavily impacted by many other
9 factors environmentally as well. And so we have a
10 vested interest and a commitment really to speak
11 for those health concerns as well as the product
12 requirements of the state.

13 CHAIRMAN KEESE: I would say that I
14 don't think you're generally beyond where this
15 Commission is. I know that in many of the siting
16 cases, our staff is recommending going beyond what
17 air districts have recommended. So we are in the
18 forefront of that and I don't believe it was our
19 intention to lower that standard whatsoever. But
20 if the result of an institutional structure is
21 such that nobody believes they have a chance of
22 going forward with a project, they're not going to
23 file. And it's not good enough to say we haven't
24 denied any if the structure -- and I'm not
25 speaking of your district alone. If the result is

1 nobody sees anywhere in California where they can
2 go forward, we're in a bind. And I think that is
3 the genesis of the concept we put forward. And if
4 you can give us a better concept, I'm sure as we
5 proceed to IEPR '05, we'd be happy to look at it.

6 MR. WUEBBEN: Thank you.

7 COMMISSIONER BOYD: Mr. Chairman.

8 CHAIRMAN KEESE: Commissioner Boyd.

9 COMMISSIONER BOYD: I personally
10 appreciate the dialogue that's just taken place.
11 I want to thank Paul, an old friend, and the
12 District, for being very diligent in participating
13 in the 2004 process. In fact, the most diligent
14 of any of the air districts.

15 The dialogue that just took place just
16 points out that there is an issue that we need to
17 continue to work on. And as you know, the 2004
18 update report selected just a few key points to
19 pursue and this was not one of them. And the rest
20 of the report was kind of in progress against the
21 plan for all of those items that were broached in
22 the original 2003 report.

23 As the Chairman just said, the 2005
24 total update, which process frankly has already
25 started, becomes the forum for continuing

1 discussion on this matter. I think there's a lot
2 of communication needed back and forth between the
3 districts and this organization to correct. I
4 think a lot of the misunderstandings of intent and
5 to by all means sweep away all the feelings about
6 this being a turf battle, and I don't want to
7 protract that any further.

8 With regard to your reference to 2076,
9 as you know, the 2003 IEPR totally embraced the
10 goals in that, and there's reference to progress
11 against plan. And particularly from the position
12 you come from in the District, have properly
13 pointed out that that's something we need to
14 continue to address. And we certainly accept that
15 invitation as I take it from you to continue to
16 work with us on that. It wasn't one of the
17 emphasis points in this particular project, but
18 the 2005 process having already started, it
19 certainly is a key feature of that.

20 And perhaps when we have some dialogue
21 within the executive and legislative branches
22 about the 2003 and '04 reports, when they're taken
23 together, we can address those particular issues
24 in more detail. But I would -- I don't need to
25 invite you, but I would invite you to bring along

1 some of your fellow air districts into the
2 dialogue in the 2005 process as we look at the
3 infrastructure issues and the energy diversity and
4 energy security issues that you broach in all the
5 areas of energy.

6 But you personally are concentrating on
7 transportation, but we really need to look at that
8 with regard to all three legs, as I like to say,
9 of the energy school, be it transportation fuels
10 or electricity or natural gas. And we look
11 forward to your participation and I will just say
12 again that I've been pleased as Commissioner
13 Geesman and I have had hearings that the South
14 Coast District has been very diligent in
15 participating and I ask you to help us recruit
16 some of the others to do that same.

17 Thank you.

18 CHAIRMAN KEESE: Thank you.

19 Do we have any other comment from the
20 audience on Item 2, Integrated Energy Policy

21 Do we have any comments from
22 Commissioners?

23 COMMISSIONER BOYD: Mr. Chairman, a
24 comment.

25 First I want to just, as the associate

1 member of the Committee, I want to just echo and
2 reinforce the statements of the Chairman of the
3 Committee with regard to commending and compliment
4 the staff for the hard work that they did. And
5 the first 2003 report was a real learning
6 experience. I think we all learned a lot, and we
7 applied what we learned, and the staff in
8 particular, to the 2004 update. And I think they
9 did a marvelous job and it's reflected in the
10 product we see before us today.

11 Secondly, I want to commend Commissioner
12 Geesman for his Chairing of this effort. I warned
13 him what was involved and he knew what he was
14 getting into, but his efforts, his effectiveness,
15 and frankly, diligence, to seeing that this report
16 got done, got done on time, and produced the
17 product we have before us I think is commendable
18 and I want to commend him for that. I've leaned
19 very heavily on him to do that just as I had to do
20 last year and I think he's done a marvelous job.

21 And finally, just I want to say with
22 regard to the statute that created the Integrated
23 Energy Policy Report and the process, I've said it
24 before and I'll continue to say that I thought it
25 was a commendable piece of legislation. I think

1 the beauty of the statute is that it created a
2 requirement that there be an Integrated Energy
3 Policy Report and update process that is frankly
4 continuing in real time and thus providing a
5 continuous forum for the debate of the energy
6 issues that continue to face us in this ever
7 accelerating world and on a very real-time basis.

8 So it's not like doing reports and
9 putting it on the shelf. We keep at that and the
10 public has almost a virtually real continuous
11 forum to address us on the issues and problems of
12 the day, as well as the disagreements. And, you
13 know, it's one thing to have a disagreement and
14 approve a report and send it off, but it's another
15 thing to have a process that picks up right where
16 that leaves off and continues to address the
17 issues and the disagreements that are brought
18 forward, because we deal with just another chapter
19 in this continuing book.

20 So I think it's been a really wonderful
21 process and I think as an agency we've got it down
22 pretty good now and I look forward to the 2005
23 process which is already underway and then a year
24 from now sitting here and talking about the 2005
25 update which will address many of the problems

1 that we're hearing about today, as well as
2 certainly lots of other issues.

3 So thank you.

4 CHAIRMAN KEESE: Thank you.

5 And I would like to thank both of you
6 and the Chairman, John Geesman, for your work on
7 this project. The original IEPR identified many
8 issues. And you focus us on three of the most
9 critical issues that we need to approach in depth.
10 And the result of it I believe is that you
11 identified vulnerabilities in the current system
12 and you identified specifically that we have a
13 critical need to approach a local problem in
14 Southern California and put together ideas on how
15 we might do that.

16 I would like to make one footnote for
17 Mr. Schoonyan and Edison that I join this opinion
18 believing that we have to continue moving forward
19 towards our renewable goals. And I don't think
20 it's going to be beneficial if Edison sits on the
21 side for three or four years with the 20-percent
22 target reached. The Governor has indicated an
23 interest in the 33-percent goal. I think that
24 we're going to have to incorporate that into our
25 thinking and our view.

1 I do agree that we shouldn't focus on
2 one company with a separate goal. So had I been
3 the draftsman, there would not have been a 35-
4 percent target. But the principle is important
5 here and that principle I believe that this
6 Commission is putting forward is that one way or
7 another the PUC should incentivize or remove any
8 disincentives to everybody moving forward.

9 I also share your view that the Southern
10 California area, if you want to call it the Edison
11 territory, is home to a lot of renewables
12 potential. And I would like to think that that's
13 where San Diego will go to get their reserves and
14 I would like to think when LADWP decides not to
15 count large hydro as part of their renewable mix,
16 that LA will go to that territory and accomplish
17 it. And it is important to understand that we're
18 going to have renewable energy credit trading of
19 some sort which will allow those resources to be
20 tapped in many locations, perhaps even out of
21 state.

22 That said, I endorse the document we
23 have in front of us and intend to vote for it.

24 Thank you for submitting.

25 Commissioner Pfannenstiel.

1 COMMISSIONER PFANNENSTIEL: I also would
2 like to thank the members of the IEPR Committee,
3 Commissioners Geesman and Boyd. I think that they
4 presented us for adoption an excellent document
5 that both uncovers some areas of vulnerability in
6 the energy picture in the state and provides some
7 very strong and I think very positive and feasible
8 recommendations for addressing those
9 vulnerabilities.

10 I think that the document itself is both
11 well organized and well presented. I think the
12 staff who worked on it did just a marvelous job of
13 pulling together and listening to the parties and
14 pulling it together and articulating a set of
15 policies and recommendations for implementing
16 those policies that will serve us all well.

17 I like how Commissioner Boyd
18 characterized it as a living document. It clearly
19 will change each year and it needs to because the
20 energy circumstances in California are changing
21 every year.

22 I know that there are some areas on it
23 in the recommendations that are up for debate, and
24 I certainly am sympathetic towards Southern
25 California Edison's concern about being singled

1 out. I would hope that as Commissioner Geesman
2 described it that the mechanism, the RPS mechanism
3 itself, as it is designed will protect Edison's
4 customers from being penalized or in any way
5 impacted.

6 But I think more importantly for the
7 policies of the state, what this report is about
8 is about moving us forward in areas like in the
9 adequacy of resources in Southern California to
10 meet those needs, and there are some policy
11 recommendations for how to do that. So in that
12 vein and given the fact that we're looking out a
13 number of years, I think that the recommendations
14 in the report will live very well.

15 So again I will support and vote for
16 this report and I do appreciate how well it came
17 together.

18 CHAIRMAN KEESE: Thank you.

19 Commissioner Rosenfeld.

20 COMMISSIONER ROSENFELD: I want to make
21 a very brief footnote to Commissioner
22 Pfannenstiel's comments.

23 I think it's a great report. I'm not
24 willing to change anything in it right now, but
25 with respect to the Schoonyan/Geesman dialogue, I

1 guess I do want to say that Schoonyan's example
2 did convince me that there's probably some
3 tailoring to be done. I understand that Edison is
4 supposed to held neutral for extra costs and if
5 it's something as visible as a wind farm or a
6 geothermal plant, I think that's easy to do.

7 Gary, I understand your point that there
8 may be a point where renewables become more
9 expensive because you have to acquire more
10 reserves and that may not be clear. I'm clear
11 that on the one hand you're blessed with a supply
12 of renewables and I'd like to see you increase
13 that fraction one percent a year like the rest of
14 us, but if there are extra costs involved, they
15 should be looked at very carefully. It's a
16 statewide mandate, it's any costs which involve
17 increasing our fraction of renewables should be at
18 the cost of ratepayers statewide and certainly not
19 at the cost of individual Edison ratepayers who
20 have done a great thing. So I'm confident that
21 can all be worked out.

22 CHAIRMAN KEESE: Thank you.

23 COMMISSIONER GEESMAN: Mr. Chairman, I
24 would move that we adopt the report with its
25 attached errata page.

1 COMMISSIONER BOYD: Second.

2 CHAIRMAN KEESE: Motion, Commissioner

3 Geesman, Second, Commissioner Boyd.

4 All in favor?

5 (Ayes.)

6 CHAIRMAN KEESE: Opposed?

7 Adopted five to nothing.

8 Thank you everyone for a great effort.

9 Thank you staff in particular for your
10 devotion to this effort above and beyond the call
11 of duty.

12 Item 3. Integrated Energy Policy Report
13 Data Request Forms and Instructions. Possible
14 adoption of a Commission order requiring certain
15 load serving entities to provide data relating to
16 electricity demand forecasts and retail price
17 forecasts.

18 MR. KENNEDY: Mr. Chairman,
19 Commissioner, thank you. I'm Kevin Kennedy, and
20 I'm the Program Manager for staff for the 2005
21 Integrated Energy Policy Report. As was just
22 noted in the preceding discussion, work on the
23 2005 report is already under way, even as we were
24 in the process of adopting the 2004 update. With
25 that adoption, we can now more fully turn our

1 attention to the 2005 proceeding.

2 Your consideration of the forms and
3 instructions that are in front of you for load
4 serving entities to provide information on
5 electricity demand and retail price forecasts is
6 very important in that 2005 proceeding.

7 The information that's requested in
8 these forms relating to retail price forecasts
9 will be useful for staff in developing its own
10 retail price forecast for use in our forecasting
11 efforts. Demand forecast information is intended
12 as a complement to staff's own demand forecast and
13 will aid the Energy Commission in gaining a
14 clearer picture of the overall electricity demand
15 both statewide and at a more disaggregated basis.

16 Beyond the information requested in the
17 forms today, staff also plans to gather additional
18 information relating to the electricity supply and
19 transmission systems. All of this information
20 will be brought together in hearings in the spring
21 that will be intended to allow parties to
22 understand the level of need for new resources and
23 to participate in the review and discussions of
24 key policy issues relating to the state's
25 electricity and natural gas systems.

1 The energy report proceeding plays an
2 important role in developing the state's overall
3 energy policy, since we're expected in this
4 proceeding to consider the role of all of the key
5 players and their interactions.

6 Under SB-1389, which established the
7 requirements for the Energy Report, the Commission
8 has the authority to require submission of demand
9 forecasts, resource plans, market assessments, and
10 related outlooks from electric utilities,
11 transportation, fuel and technology suppliers and
12 other market participants.

13 The forms and instructions before you
14 today are the first in a series of requests for
15 data that will come before you for the 2005
16 proceeding. For example, staff, in addition to
17 what you're considering today, staff yesterday
18 posted to the website proposed forms and
19 instructions relating to environmental information
20 that will be discussed at a workshop on November
21 15th. And staff and the Committee is planning a
22 workshop on November 18th to discuss more
23 generally analyses and supporting data in the
24 forecast for supply.

25 Proposed versions of the forms that

1 you're considering today were issued by staff in
2 early September and were discussed at workshops on
3 September 20th and 21st. Staff has revised the
4 forms and instructions in response to concerns
5 raised at the workshop and in written comments.
6 The version of the instructions that have been
7 made available at this stage show in red lines
8 strikeout form the changes that were made from
9 staff's original proposal.

10 And once the Commission adopts final
11 forms and instructions, we will publish a clean
12 version that reflects the final adopted forms and
13 instructions.

14 There is one point of concern which has
15 been raised by a number of parties that has not
16 yet been fully addressed, and that relates to how
17 the Energy Commission will handle information that
18 a filer believes is confidential. Various parties
19 have suggested that it would be extremely useful
20 for the Commission to provide guidance on our
21 confidentiality procedures and informal
22 indications of what information would be kept
23 confidential where a load serving entity files a
24 request for confidential designation.

25 Staff agrees that such guidance will be

1 useful for the parties and I'm currently working
2 with the Executive Director, technical staff, and
3 legal staff to issue a memo that would provide
4 general guidance which we are hoping to have
5 posted to the web in the next day.

6 It's extremely unusual for the Energy
7 Commission to provide this type of advance
8 guidance on confidentiality because the
9 determination that must be made is typically very
10 case specific. And that has resulted in it taking
11 a bit longer to complete the memo than I had
12 initially anticipated. I had posted to the
13 website last week an indication that we were
14 planning to have the guidance on the website by
15 last Friday and I apologize to the parties for the
16 fact that the guidance was not available for the
17 business meeting. But we do expect to have the
18 guidance memo posted by tomorrow.

19 Finally, the data that's being requested
20 of load serving entities in these forms and
21 instructions, as with the additional data that
22 will be proposed over the next few weeks, will
23 support analyses of key issues leading to
24 determinations of the amount of resources that
25 need to be acquired to ensure reliable operation

1 of the electricity system.

2 Pursuant to the Committee's direction,
3 we have been talking with the Public Utilities
4 Commission and California ISO to develop improved
5 coordination among these three entities. And in
6 particular, that means that the PUC's 2006
7 procurement proceeding and the ISO's energy grid
8 planning process. We are hoping that the analytic
9 products that come out of our review in the Energy
10 Report proceeding, based on review of the
11 materials submitted, will be directly useful to
12 these other entities.

13 With that, I have staff available to
14 answer any questions you may have and I turn it
15 back to the Commissioners.

16 CHAIRMAN KEESE: Thank you.

17 Any comments from the public?

18 Mr. Guliassi.

19 MR. GULIASI: Les Guliassi from PG&E.

20 I have a couple of brief comments that I
21 want to make about the data request forms and
22 instructions for the 2005 report. But before I
23 make those comments, I would like to compliment
24 you and the staff on the '04 update. Again, we
25 have heard a lot of compliments made today, but I

1 just want to reinforce them and echo the
2 compliment, it was a great report and raised some
3 important issues, and I wish you well as your
4 report wends its way through the political
5 process.

6 The comments I want to make today
7 address both technical issues as well as the very
8 important issue of confidentiality that Kevin just
9 mentioned.

10 Let me first say that we're committed to
11 engaging in your forecasting effort, and indeed in
12 the entire '05 process fully and cooperatively.
13 The experience that we've had thus far in working
14 with staff leads us to believe that we can have an
15 amicable relationship and a great deal of
16 cooperation throughout the whole process.

17 Our goal is to assist the staff in
18 fulfilling its research needs, but I just want to
19 ask that the staff and the Commission as a whole
20 think about the principle of flexibility in the
21 data that's required as we go through the process.
22 As we know it's a very tedious process and while
23 it's important to strive for consistency in the
24 data required, we have to remember that one size
25 does not necessarily fit all. And when we work in

1 filling out these forms, we may find for many
2 parties the specific data requests will not suit
3 everyone's needs. So we will need to negotiate
4 the best we can the specifics of the data we need
5 to provide.

6 And I just want to illustrate the point
7 with a couple of technical issues. The forms call
8 for calendar year 2003 data, revenue requirement
9 data, actual revenue data and so forth. In our
10 case, in PG&E's case, 2003 was somewhat of an
11 anomalous year. It was the year that we emerged
12 from bankruptcy and for a lot of reasons it may
13 not provide the best source of information if your
14 goal was to look on a going-forward basis.

15 So what we would like to do in
16 discussions with staff consider alternative years,
17 perhaps 2004 would be a better starting point, a
18 good substitute, at least in PG&E's case. I think
19 if you look at 2004, you'll find that we will have
20 a full year of revenue requirement information
21 available, our regulatory asset is in place. So I
22 think it gives you a much clearer picture and a
23 better reflection of our situation, and we're
24 hoping that 2004 data would serve as a useful
25 substitute rather than just be, you know, slaves

1 to consistency.

2 Similarly, I understand that there is a
3 desire to have very detailed data that goes very
4 far into the depths to understand the details of
5 rate forecasts. When we get right down to the
6 details, I think you will find that many of the
7 utilities and many of the load serving entities
8 probably do not have data or produce data in such
9 detailed levels. And I think it's going to
10 require some discussion with staff to find the
11 best ways to accommodate their needs and I'm not
12 prepared at the moment to, you know, imagine
13 exactly what methods might be used to satisfy all
14 those data requirements, but I think we'll need to
15 use some imagination and find ways of providing
16 the staff what it needs when the data are not
17 readily available off the shelf.

18 So I only bring up those couple of
19 technical issues by way of making the point that
20 we'll need to continue to work cooperatively,
21 we'll need to sit down and work through some of
22 these tough issues, and I'm confident that in
23 those discussions we'll be able to accommodate the
24 staff and provide the necessary information so the
25 staff can do its job.

1 I'm glad Kevin raised the issue of
2 confidentiality, it's a very important issue, and
3 again we're committed to working with you and
4 through your regulations to ensure that you get
5 the information you need. But I'm sure that we
6 will have some requests for you to treat some of
7 the information confidentially and not disclose
8 that information publicly. When we do make those
9 requests, I can assure you that the requests will
10 be legitimate. We're not going to capriciously
11 just request information because we have some
12 belief that it may be confidential. When we do
13 make those requests, the information that we
14 request we really believe, legitimately believe,
15 that the information should be protected and be
16 held confidential.

17 I think we've made a lot of arguments
18 over the last nine years to protect confidentially
19 customer-specific data. And I can recall in my
20 career, you know, 10 or 15 years ago addressing
21 some of these issues for the very first time and
22 I'm confident now that the Energy Commission does
23 a stellar job in protecting the confidentiality of
24 customer-specific data. And I'm hopeful that we
25 can draw on those lessons and reach agreements

1 when we need to with respect to other kinds of
2 confidential information.

3 There will be proprietary information,
4 for example, like business plans that we may seek
5 to have you keep confidential that may be
6 competitive information. Especially when it
7 pertains to our procurement activities, we may not
8 want to divulge market sensitive information or
9 commercially sensitive information. So when we
10 get to those points, we want you to take our
11 requests for confidentiality seriously. And I do
12 recognize the challenge that you face and I think
13 you're going to hear from many parties through the
14 process. And I'm going to make the same plea to
15 that that I made to you, that is to be respectful
16 of other's requests for confidentiality and
17 approach this process qualitatively yet
18 respectfully.

19 Thanks very much for your time this
20 morning.

21 CHAIRMAN KEESE: Thank you, Les.

22 And, you know, we've reached a rapport
23 of sorts with the PUC on working together, and
24 we're working much better with the ISO. And as
25 you reflect, we are working much better I believe

1 with the utilities. So this should all inform our
2 IEPR process so that we can lay out a valid viable
3 plan for the state of California.

4 Thank you.

5 COMMISSIONER GEESMAN: Mr. Chairman.

6 CHAIRMAN KEESE: Mr. Geesman.

7 COMMISSIONER GEESMAN: I don't want to
8 state very much about the confidentiality question
9 because that's really in the purview of our
10 Executive Director, but I think Les and the other
11 utilities, because of their experience, are quite
12 familiar with our process and know that showings
13 they need to make under our statute and our regs.
14 I can easily envision parties that have not been
15 through our process as the utilities may need some
16 advance guidance from the Executive Director and
17 I'm hopeful that he's able to provide that in a
18 way that makes clear our intent to be as
19 cooperative and understanding as our statute and
20 regs allow.

21 On the earlier point Les made, I think
22 those are well taken observations. And we did, in
23 fact, begin to get into that in the staff
24 workshop, or rather the Committee workshop, that
25 has been held on these forms and instructions.

1 Staff did most of the talking there. I'd like to
2 add my comments to it and I believe that they are
3 consistent with Les' observations.

4 We should be seeking the best
5 information available and the most useful
6 information available, and that should be our
7 guiding principle. In coming to that assessment,
8 we need to also incorporate what are the needs of
9 the Public Utilities Commission as they rely on
10 our work product and what are the needs of the Cal
11 ISO as it relies on our work product. And I think
12 with that perspective, we should be able to work
13 through whatever differences we may initially
14 have.

15 I am concerned, and I certainly heard
16 the concern expressed by a wide range of parties
17 at our workshop, that all of us have allowed the
18 resources we commit to this area to erode quite a
19 bit over the course of the last ten years. So
20 this is not going to be the perfect process, it's
21 not going to yield the kind of result that
22 hopefully our process five years down the road
23 would yield.

24 But it is troublesome that our forecast
25 for this past summer, which was generally a

1 consensus forecast that each of the utilities and
2 our staff joined it, that that forecast was
3 exceeded by three times over. To the extent that
4 we relied or perhaps misrelied on forecasts that
5 proved that far off the mark, I think we need to
6 learn how to do things better and I certainly
7 welcome PG&E and the other parties to help us
8 figure out how to do that.

9 CHAIRMAN KEESE: Thank you.

10 Any other public comment.

11 MR. ALVAREZ: Manuel Alvarez, Southern
12 California Edison.

13 I'll be brief. I think we've expressed
14 our view on the specific data requirements in our
15 letter to you.

16 I am looking forward to Kevin's
17 confidentiality discussion, I think it's a
18 critical point. But one of the items during the
19 workshop that I offered a suggestion on and I
20 think it supports your comments, Commissioner
21 Geesman, of working together with the three
22 agencies, the ISO, the PUC, and the CEC, and
23 that's the establishment of a working group to
24 deal with some of these critical issues of
25 confidentiality and availability of data and the

1 assumptions that we feel comfortable making going
2 forward. I've had a couple of discussions with
3 staff on those items, but we still have not come
4 together as a group.

5 But I think it may be difficult and I
6 understand some of the difficulties in terms of
7 some parties, some market participants' reluctance
8 to participate in the group, and that's why I
9 suggested that that kind of a working group has to
10 be done under the auspices of the Committee
11 itself. Because where we do get to an impasse,
12 the Committee should be aware of where that
13 impasse is among the parties.

14 So I urge you again to think about the
15 working group proposal. And I believe we can make
16 some progress, we may not make all the progress we
17 want, but we can make some.

18 Thank you.

19 CHAIRMAN KEESE: Thank you.

20 Any other comment?

21 Commissioners?

22 Do I have a motion?

23 COMMISSIONER GEESMAN: Move the order.

24 COMMISSIONER BOYD: Second.

25 CHAIRMAN KEESE: I'm sorry, did you --

1 UNIDENTIFIED SPEAKER: Oh, yeah, I did
2 have a comment.

3 CHAIRMAN KEESE: We'll have a brief
4 comment here.

5 UNIDENTIFIED SPEAKER: Okay, very brief.

6 CHAIRMAN KEESE: We'll pretend nothing
7 happened.

8 UNIDENTIFIED SPEAKER: My name is Natina
9 and I'm with DC Power, and I work with a
10 distributor in Northern California. And myself
11 and the people that we sell to would like to get a
12 response when we have complaints towards the CEC
13 and the conduct of a few of the -- the
14 establishment.

15 We tried to write letters and to
16 complain and they just go strictly through Tony
17 Brasil. And he seemingly singles out people and
18 just -- I mean I've got documentation.

19 CHAIRMAN KEESE: Are you talking about
20 data?

21 UNIDENTIFIED SPEAKER: Pardon me?

22 CHAIRMAN KEESE: Are we talking about
23 data?

24 UNIDENTIFIED SPEAKER: Oh, I'm sorry, I
25 just got here, so I didn't know if this was the

1 five minute.

2 CHAIRMAN KEESE: No, no. We'll postpone
3 you for later. We're in the middle of a vote
4 here.

5 UNIDENTIFIED SPEAKER: Okay. Sorry.

6 CHAIRMAN KEESE: Okay. I believe I
7 heard a motion by Commissioner Geesman and a
8 second by Commissioner Boyd.

9 All in favor?

10 (Ayes.)

11 CHAIRMAN KEESE: Opposed?

12 Adopted five to nothing.

13 We have an open period at the end and
14 we'll come back to you.

15 Item 4. Alameda-Contra Costa Transit
16 Hydrogen Development and Demonstration Project.
17 Possible approval of a grant for \$925,000 with
18 Alameda-Contra Costa Transit for the development
19 and demonstration of a gaseous hydrogen fueling
20 station.

21 This has been before us before. Would
22 you just give us the status update and we can
23 dispose of this issue.

24 MR. FOLKMAN: Sure. Chairman, thank
25 you, and Commissioners, appreciate it.

1 Yes, the status of this right now is in
2 the Commission's budget for this year. It was
3 \$925,000 allocated for a grant with AC Transit for
4 this hydrogen demonstration station down there at
5 their facility. It is also proposed it will have
6 a reforming element to reform natural gas to
7 hydrogen there. The total funding for that
8 project is 3.2 million. So there's other partners
9 that are contributing, DOE, I believe, Clean
10 Cities is contributing, Chevron Energy Solutions
11 and others are contributing to this.

12 It goes in support of Governor
13 Schwarzenegger's announcement in April of this
14 year to emphasize and to try to move forward with
15 hydrogen throughout the state. And we feel that
16 this has some good potential to do that, to
17 support that effort.

18 With that, I will entertain some
19 questions.

20 CHAIRMAN KEESE: Any questions?

21 COMMISSIONER BOYD: Mr. Chairman.

22 CHAIRMAN KEESE: Commissioner Boyd.

23 COMMISSIONER BOYD: As indicated, this
24 has been before the Commission before but the
25 money ran out before the process was executed, so

1 it wasn't appropriated. So this has come and come
2 again before the Transportation Committee and was
3 approved by the Committee, so I would like to move
4 approval of the item.

5 CHAIRMAN KEESE: Motion, Commissioner
6 Boyd.

7 COMMISSIONER PFANNENSTIEL: Second.

8 CHAIRMAN KEESE: Second, Commissioner
9 Pfannenstiel.

10 All in favor?

11 (Ayes.)

12 CHAIRMAN KEESE: Opposed?

13 Adopted five to nothing.

14 Thank you.

15 Item 5. Appliance Efficiency
16 Rulemaking. Consideration of public comments on
17 proposed Appliance Efficiency Regulations
18 published as Express Terms of Proposed
19 Regulations, 45-day language, dated September
20 10th, 2004.

21 Commissioner Pfannenstiel, would you
22 like to tell us the status before we get started
23 with this discussion?

24 COMMISSIONER PFANNENSTIEL: Yes, thank
25 you, Mr. Chairman.

1 This item was scheduled to consider the
2 adoption of proposed Energy Commission's Appliance
3 Efficiency Regulations. The Commission held a
4 hearing on October 13th and as a result of the
5 comments received at that hearing and other
6 comments submitted right up through yesterday, the
7 Committee recommends we do not adopt today.
8 Instead, the Committee intends to publish a
9 revised proposal and 15-day language, and would
10 recommend that this adoption be put over until the
11 December 15th Business Meeting.

12 And if people here in the audience have
13 submitted written comments, those comments will be
14 considered and they need not be repeated today.
15 So, therefore, we would not recommend adoption at
16 this time, but rather we pull the item until the
17 December 15th Business Meeting.

18 CHAIRMAN KEESE: Thank you.

19 COMMISSIONER GEESMAN: I've got a
20 question and I may be wrong. I thought someone
21 had said that our meeting in December is December
22 13th?

23 COMMISSIONER PFANNENSTIEL: That is
24 possible. I just had it as the second Wednesday.

25 CHAIRMAN KEESE: Well, I think I know.

1 It's December 1st and December 15th.

2 COMMISSIONER GEESMAN: Okay.

3 CHAIRMAN KEESE: And we're not having
4 one on December 29th, which sort of fell in the
5 Christmas season.

6 We have a number of members of the
7 public who have asked to comment on this. And
8 without totally repeating written submittals, why
9 don't we start with Joe McCabe.

10 MR. MCCABE: That's for at the end of
11 the meeting. A public comment for in general.

12 CHAIRMAN KEESE: Oh, I'm sorry. Sorry,
13 you were on the wrong list.

14 Stan Van Vleck, please.

15 MR. VAN VLECK: Morning, Mr Chairman and
16 Commissioners. Stan Van Vleck representing the
17 Association of Home Appliance Manufacturers.

18 We have submitted detailed written
19 testimony and as such my oral comments will be
20 very brief and actually just go into one specific
21 issue.

22 Specifically, we would like to talk
23 about our opposition to the external power supply
24 matter contained within the proposed regulations.

25 We have been working with staff and

1 that's one reason why I wanted to be able to speak
2 with you folks today. And we appreciate the time
3 that the Commission and their staff has put to
4 this. What we're looking at is trying to reach an
5 agreement as it relates to how to deal with this
6 matter.

7 Right now, the Energy Commission is
8 looking at putting forward something that is
9 different than US EPA is considering. And we're
10 concerned because what the Energy Commission is
11 putting forward at this time we don't believe is
12 as accurate as it could be. And US EPA right now
13 is working hard trying to be able to put something
14 that would be more precise. We realize that you
15 folks are on a pretty tight deadline trying to get
16 this done.

17 What we would ask and what we would go
18 into with staff is being able to achieve an
19 agreement where once the federal government is
20 able to identify their energy standard that you
21 folks would be willing to consider adopting it.
22 Again, not adopting it, but take a look at
23 adopting it, and review that. It's our
24 understanding that this will be done within a year
25 and that would be consistent with the timelines

1 under adoption in this regulation.

2 So we just want to be able to hopefully
3 receive a commitment, not just from staff, but
4 also from the Commission for that review.

5 CHAIRMAN KEESE: Well, you've presented
6 it and the Committee has heard it. So we will
7 refer it to the Committee for their 15-day
8 language and take it up when we take this one up
9 in a month.

10 MR. VAN VLECK: Great. Thank you very
11 much.

12 CHAIRMAN KEESE: Thank you.

13 Matt Allison.

14 MR. ALLISON: I had submitted written
15 comments in the form of a presentation that I had
16 planned to give today, and based on the comments I
17 have heard, I'm not sure if I should give that
18 presentation or not.

19 CHAIRMAN KEESE: I don't think so,
20 because as indicated, you're going to see an
21 amended proposal. So you might want to amend
22 yours after that. It would be more appropriate to
23 do it at our next meeting.

24 MR. ALLISON: Okay. Thank you very
25 much.

1 CHAIRMAN KEESE: Thank you.

2 Is there anybody else who wishes to
3 speak to Item 5, which again we will not take up
4 today, but will be on our agenda in December?

5 Thank you. That item is over.

6 Item 6 is off the agenda.

7 Item 7 is off the agenda.

8 I think this would be an appropriate
9 time to take up public comments.

10 So why don't we have Mr. McCabe come
11 forward.

12 MR. MCCABE: Thank you very much for the
13 opportunity to speak to all of the Commissioners
14 and Executive Director and the staff. And I feel
15 fortunate to come here.

16 I hope I'm not going to sound like an
17 advocate, but I have some awareness points, having
18 been an expert in solar energy and recognized by
19 the California Energy Commission in the past.

20 Terry Searles has actually asked me to
21 say what's missing from this whole big picture.
22 I'm here because I'm a little bit troubled. Look
23 at natural gas is going to happen, but I'm
24 troubled that there's another infrastructure
25 needed, the boats to bring it to a port, to pipe

1 it to facilities, possibly to my house to heat my
2 water and to heat my house or to run to utility
3 plants to make electricity so that I can have it
4 at my house.

5 I'm troubled because of recent CPUC
6 activity, especially with Diablo Canyon, and you
7 might be operational along with your CPUC brethren
8 on Pacific Gas & Electric's contracting with
9 Westinghouse before the EIR has even happened or
10 any public discussion.

11 These are the things that are troubling
12 me. And I'm hopefully bringing a solution and
13 some awareness. Efficiency. The utmost respect
14 for your work, especially Rosenfeld's on
15 efficiency. It's the best thing we can be doing.
16 But it is insufficient and it warrants repeating
17 that. Efficiency is insufficient. And I'll use
18 an example from William McDonough that if you're
19 trying to go towards sustainability and let's call
20 that Canada, but you're traveling in the wrong
21 direction, and we'll call that Mexico. Flowing
22 down toward Mexico is not going to get you to
23 Canada. We're going to try to get to a
24 sustainable energy future and I know you all are
25 working at that diligently. There is a lot of

1 departments here that are also working and I
2 applaud all the efforts.

3 I'm here to talk about solar. Some
4 visual aids, if you don't mind.

5 This is a cell manufactured in
6 California. A very important concept, California
7 made. Twenty percent efficient, available in a
8 module today that is monolithic black,
9 aesthetically pleasing and low profile. This is a
10 great solution that gets a lot of support at the
11 state level.

12 This is a solar thermal cutaway of a
13 box. I had these manufactured just so you can
14 visualize the difference. About the same size,
15 this is three times more effective at converting
16 solar radiation to usable energy. And it is not
17 supported as much as the photovoltaic system for
18 various reasons. The concept is that this does
19 not make electricity.

20 You have the ability to change that
21 attitude with your leadership. This does make
22 electricity. It makes it at the unused natural
23 gas, so that your natural gas goes further in
24 society when this is on residential buildings. It
25 does not pollute.

1 One of the challenges also is getting it
2 into the Renewable Portfolios Standards. It's
3 fantastic work the Governor supports. This does
4 not get into RPS. This does not get into Title
5 24. Yes, there's language on it and if you have
6 professional engineer certification. But your
7 leadership can actually promote this in the zero
8 energy homes work that's going on, and the Title
9 24 2008. All your reports do not talk about how
10 my roof can convert its radiation to usable
11 energy.

12 The real thing that I thought I would
13 bring some awareness to is manufacturing in
14 California again, but what is probably most
15 appropriate for the central valley.

16 No, this is not a terrorist thing, it's
17 integrated collector storage. So if you can
18 conceive of this piping in a box with a selective
19 surface on it, it can collect and store, it's a
20 storage technology, it's distributed generation,
21 it doesn't pollute, it doesn't require electrical
22 lines, it doesn't require siting. All these
23 concepts in new home construction can have a less
24 than eight year payback. It creates jobs.

25 I'm just going on and on because I

1 believe that this is something that doesn't get
2 talked about. 1985 was a bad year for this
3 industry. Can we leave those behind and realize
4 the company that makes this in California can make
5 50,000 of them and has been around for 25 years
6 and supplies Korea and other countries. Israel
7 requires solar thermal on every building,
8 Australia has similar requirements. Your
9 legislative and leadership roles, I'm sorry, not
10 legislative, but policy decision roles can
11 actually get this more into society.

12 You don't see people getting up in front
13 of the microphone and talking about this,
14 especially a photovoltaic expert. But it's just
15 one of the things that I think I'm hoping I'm
16 bringing a little bit of awareness to that can
17 help your finding more natural gas for the needs
18 of the state. So I very much appreciate this
19 opportunity. As the Commission personalities
20 change, I would love to come back and help any of
21 your departments in any way along these concepts.

22 Thank you.

23 CHAIRMAN KEESE: Thank you. Very
24 appropriate your comments, and I would hope -- I
25 know you've been around for a while, as I recall,

1 and I would hope you can chat with staff after
2 this meeting is over or Commissioner Rosenfeld.

3 MR. MCCABE: Thank you.

4 COMMISSIONER ROSENFELD: Joe, it's good
5 to see you back. I just wanted to say that I
6 sound a little bit defensive, but on the zero
7 energy new homes initiative, we're encouraging
8 people to do solar thermal hot water.

9 MR. MCCABE: I was the only one that got
10 up to the microphone and mentioned it. And, yes,
11 it was talked about, but it's just an awareness
12 point that it's not emphasized. It's got a
13 history here at the Commission of not working, but
14 it actually does work and it can solve a lot of
15 things. Again, I don't -- but efficiency first,
16 solar thermal, solar electric is actually the most
17 cost effective.

18 COMMISSIONER ROSENFELD: No, I will
19 stand by it. I have a solar thermal hot water
20 system on my house in Berkeley. It was installed
21 in 1980 and it still works fine. But I think one
22 thing I'm a little unclear about, Israel requires
23 them, but I think it's competing with electric
24 resistant heat and not with cheap natural gas. So
25 we have to check our economics there.

1 MR. MCCABE: It's that numbers thing
2 that just always -- there's another constituency
3 that wins out and you don't see the solar thermal
4 industry having the ability to fight the genius
5 that comes out of UC and all the efficiency
6 programs. So I was trying to bring some
7 awareness.

8 COMMISSIONER ROSENFELD: Okay. Thank
9 you.

10 CHAIRMAN KEESE: Thank you.

11 COMMISSIONER GEESMAN: Mr. Chair.

12 CHAIRMAN KEESE: Commissioner Geesman.

13 COMMISSIONER GEESMAN: I had a couple of
14 things. One, the '04 IEPR which we just adopted
15 does make the suggestion that we as a state
16 develop a floating order for the natural gas side
17 the same way that we've done so on the electricity
18 side. I think it would be wrong to interpret that
19 as a likely substitute for LNG, because I think we
20 have a number of uses for LNG in the
21 transportation sector and apart from electric
22 generation. But I do think that that would
23 represent a better approach by the state to
24 evaluate where some of these technologies can cost
25 effectively be moved into the mainstream where

1 today they are ignored.

2 Secondly, I think I've said the solar
3 thermal industry needs to organize itself better
4 from a trade association standpoint.

5 MR. MCCABE: I agree.

6 COMMISSIONER GEESMAN: And I recall in
7 the '80s when they were considerably better
8 represented by our Chair and before him by his
9 wife.

10 And thirdly, I would say I don't
11 particularly like your Mexico-Canada metaphor.
12 Until this morning I would have said driving from
13 Florida to Ohio.

14 MR. MCCABE: It was William McDonough's
15 and I just --

16 COMMISSIONER GEESMAN: Work on that.

17 MR. MCCABE: Thank you very much for
18 that suggestion. Maybe I was slightly effective
19 in just getting you to thinking about it more.
20 And I'll gladly follow up.

21 So thank you for your time.

22 CHAIRMAN KEESE: Thank you.

23 Did we have somebody else who wanted to
24 speak?

25 All right. Why don't we take up the

1 rest of the agenda, then if she wishes to speak
2 we'll take her up.

3 Do I have a motion on the minutes?

4 COMMISSIONER GEESMAN: So moved.

5 COMMISSIONER ROSENFELD: Second.

6 CHAIRMAN KEESE: Motion, Geesman,
7 Second, Rosenfeld.

8 All in favor?

9 (Ayes.)

10 CHAIRMAN KEESE: Approved.

11 Commission Committee and Oversight.

12 I will just mention that semi-annually,
13 every six months we have the meetings of WIEB,
14 KREPSI and WECC, who met a week ago in Vancouver.
15 We have done yeoman's work at the Commission in
16 activities in these forums and at this meeting in
17 particular we had gas presentations. Mr. Jaski
18 presented the PUC's program for the PUC to the
19 group, and Mr. Chamberlain presented the WREGIS
20 program. You have received reports on all of
21 these. I urge you to look at them. It was a
22 great presentation, I believe, of the expertise of
23 the Energy Commission made available to the other
24 states in the west that they will benefit from.

25 COMMISSIONER BOYD: Mr. Chair, you

1 remind me of one that I was involved in. While
2 you were up in Vancouver I was in Tijuana for a
3 meeting, a conference, on Border Energy Forum, the
4 first time held south of the border in a long time
5 and sponsored by one of the border states. And
6 although it got a little notoriety in the press,
7 it was just a conference. But your comment about
8 WREGIS reminded me of a very strong advocacy
9 presentation by one of the panelists, I think
10 known to this organization, Jan Hameron, about
11 WREGIS and about encouraging the Mexican
12 government and the Mexican states to look at
13 WREGIS as a tool that could aid them into joining
14 in that kind of an effort.

15 So I just wanted to put that on the
16 record as something that has been suggested and
17 would seem to be received reasonably favorably by
18 many folks in the audience, which was
19 predominantly a south of the border audience.

20 CHAIRMAN KEESE: Thank you.

21 Chief Counsel's report.

22 CHIEF COUNSEL CHAMBERLAIN: Thank you,
23 Mr. Chairman.

24 Just following up on that report on the
25 WIEB, KREPSI, WECC, I'm polishing up my detailed

1 notes on those meetings and will be circulating
2 them to you when I get them completed.

3 Two weeks ago, I know this is sort of
4 old news but I will mention it anyway. Two weeks
5 ago as the Commission met, the Supreme Court also
6 met and decided not to take up the Tesla case. So
7 once again your decision has been affirmed.

8 In addition, I should report that on
9 Monday of this week, I attended the Ninth Circuit
10 Court of Appeals oral argument in the case
11 involving appliance efficiency information
12 requirements that the Commission has. We were
13 somewhat heartened by the fact that one of the
14 panelists on that panel was Betty Fletcher who
15 wrote the Ninth Circuit opinion in the California
16 Nuclear Laws Case, and showed that she was very
17 cognizant of the fact that the courts are supposed
18 to only find preemption if it is the manifest
19 intent of Congress that there be preemption and
20 that it should not go any further than that
21 intent.

22 However, I will say that the oral
23 argument left me somewhat uncertain where the
24 result is coming down. Betty Fletcher asked only
25 one question of opposing counsel and the other

1 judges asked I think challenging questions to both
2 sides. So it's very difficult for us to tell
3 right now. The frequently asked questions portion
4 of the Ninth Circuit's website includes a question
5 of how long does it take to get a decision out and
6 their guidance is that it generally takes from
7 three months to a year. So it could come out
8 sooner, of course, but I wouldn't hold your breath
9 at this point.

10 CHAIRMAN KEESE: Thank you.

11 Executive Director's report.

12 EXECUTIVE DIRECTOR THERKELSEN: Good
13 morning, Commissioners.

14 There was a lot of expressions of
15 appreciation over the 2004 Energy Report Update
16 and I would like to add mine to that, especially
17 the Committee for their leadership, for their
18 guidance, and their willingness to mold the
19 report. I think it's a very good, concise
20 document. And I also want to thank the staff.
21 And there is no rest for the weary, because both
22 the Committee and the staff are marching madly
23 toward the 2005 report. We have workshops on
24 multiple days this month and also next month.

25 One of the most contentious parts of the

1 report, or not contentious, but the most critical
2 was the assessment of the 2005 electricity
3 situation, particularly in Southern California.
4 And in developing those analyses of what that
5 projection looks like, we worked very closely, our
6 staff worked very closely with the PUC and the ISO
7 and the former Power Authority in terms of trying
8 to understand what supplies and resources would be
9 available. So that represents an effort by all of
10 the energy entities to get an understanding of
11 what the supply and demand picture is.

12 We have a lot to do to improve that, and
13 one of the things is looking back at 2004 and
14 understanding what happened and how those lessons
15 would affect what our future projections would be.
16 And the staff is working on that look backwards so
17 that we can learn from that in terms of looking
18 forward.

19 The other thing we will be doing
20 obviously is monitoring where 2005 is and what
21 kind of progress is being made to deal with that
22 issue. Again, we're working with other state
23 energy agencies and the ISO to get a handle on
24 what options are available, including having a
25 tariff in place for those meters that are already

1 located down in Southern California.

2 So those are all things our staff is
3 actively involved in and we'll keep you apprised
4 of progress.

5 CHAIRMAN KEESE: Thank you. There is no
6 legislative report today. The Public Advisor has
7 informed me there's no Public Advisor's report.

8 And this is the time for public comment,
9 but I have a feeling that the young lady's
10 concerns have been met?

11 EXECUTIVE DIRECTOR THERKELSON: I think
12 they're being dealt with.

13 CHAIRMAN KEESE: Thank you. And with
14 that and there being nothing else to come before
15 us, this meeting is adjourned.

16 (Thereupon, the California Energy
17 Commission Business meeting was
18 adjourned at 11:38 a.m.)

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1 CERTIFICATE OF SHORTHAND REPORTER

2 I, MICHAEL J. MAC IVER, a Shorthand
3 Reporter, do hereby certify that I am a
4 disinterested person herein; that I reported the
5 foregoing California Energy Commission proceedings
6 in shorthand writing; that I thereafter caused my
7 shorthand writing to be transcribed into
8 typewriting.

9 I further certify that I am not of
10 counsel or attorney for any of the parties to said
11 California Energy Commission proceedings, or in
12 any way interested in the outcome of said
13 California Energy Commission proceedings.

14 IN WITNESS WHEREOF, I have hereunto set
15 my hand this 15th day of November 2004.

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21 Michael J. Mac Iver

22 Shorthand Reporter
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24
25